

February 19, 2025

The Honorable John Thune
Majority Leader
U.S. Senate
511 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Mike Johnson
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Chuck Schumer
Democratic Leader
U.S. Senate
322 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Hakeem Jeffries
Democratic Leader
U.S. House of Representatives
2267 Rayburn House Office Building
Washington, D.C. 20515

Dear Leader Thune, Speaker Johnson, Leader Schumer, and Leader Jeffries:

On behalf of Education Finance Council (EFC), I urge you to use budget reconciliation to make college more affordable for students and better manage taxpayers' investments in higher education.

EFC is the national trade association representing nonprofit and state-based higher education finance organizations. EFC members increase postsecondary education access, success, and affordability by providing a wide range of free resources and support services to millions of students and families every year. EFC members are driven by a public purpose mission to support students as they seek to grow their skills and improve their lives.

As Congress considers potential revisions to the federal student loan repayment system, we offer the following recommendations:

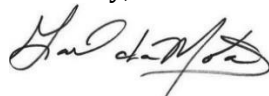
- **Reform Qualified Student Loan Bonds (QSLBs).** Retain the tax exemption of QSLBs and exempt them from both the private activity bond volume cap and Alternative Minimum Tax (AMT) to expand their impact. These changes would enable more low-cost private education loans through tax-exempt bond financing, which has saved borrowers over \$1.2 billion since 1976. Additionally, clarify that nonprofit, state-based education loan providers may certify that education loans originated after October 28, 2009, meet loan size limitation requirements under §144(b)(1)(B). This change would give borrowers a private sector option to refinance high-rate student loan debt.
- **Extend Account Maintenance Fees (AMFs).** Permanently extend AMFs for state and nonprofit guaranty agencies to support their statutory obligations of providing default prevention assistance for Federal Family Education Loan Program (FFELP) borrowers and other benefits including FAFSA completion services and technical support for schools. These fees are critical for maintaining services while FFELP winds down, and the costs to the federal government will decrease over the next few years as the portfolio shrinks.
- **Include Private Nonprofit Participants in Federal Student Aid.** Reestablish a role for state-based, nonprofit organizations in federal student lending. By creating a more

sustainable financing model, Congress can rebalance the incentives of all stakeholders who participate in the federal student loan program.

- **Enhance Pell Grant Impact.** Increase the maximum Pell Grant award, reinstate the provision that indexed the maximum Pell Grant award to inflation, and expand Pell Grant eligibility to shorter-term programs. These changes would make college more accessible and affordable, reduce the size of federal student lending, and better serve students pursuing credentials and short-term education opportunities in response to evolving labor market demands.
- **Extend Employer-Provided Student Loan Payment Benefits.** Permanently extend employers' ability to provide tax-free student loan payments up to \$5,250 annually. This would help student loan borrowers achieve financial stability while boosting loan repayment rates.
- **Streamline States' Regulations of Private Student Loans to Improve Borrowers Experience.** Allocate \$5 million to develop a multi-state compact for states that license, audit, and regulate private student loan companies. A multi-state compact would reduce duplicative compliance burdens and allow state-based, nonprofit organizations to allocate more resources toward student support services and lower-cost education loans.
- **Compensate FFELP Partners for Unanticipated Direct Loan Consolidations.** Provide a 3 percent fee to nonprofit FFELP lender/holders – and a similar 2.5 percent fee to guaranty agencies – for ineligible FFELP loans that consolidated into Direct Loans after January 1, 2020, to take advantage of pandemic-era special benefit programs. Making nonprofit, state-based guaranty agencies and FFELP lender/holders whole would address financial wrongdoing and help these mission-driven organizations support students and families through the college process.
- **Improve Federal Student Loan Servicing.** Authorize a one-time mandatory allotment of at least \$250 million to the Office of Federal Student Aid (FSA) for the purpose of improving federal student loan servicing. Limited resources to assist borrowers over the last five years, poor FSA portfolio management, repeated policy changes, and sporadic legal actions have resulted in confusion and uncertainty for all involved. This infusion of funding will be an initial down payment to help student loan servicers deliver a high-quality borrower experience as the system transitions from COVID-era flexibilities and related policy changes to active repayment.

EFC and our member organizations stand ready to assist you in implementing these recommendations. Thank you for your consideration of these reforms that support postsecondary students and their families.

Sincerely,



Gail daMota
President

Cc: Chairman Graham
Chairman Crapo
Chairman Cassidy
Chairman Arrington
Chairman Smith
Chairman Walberg
Ranking Member Merkley
Ranking Member Wyden
Ranking Member Sanders
Ranking Member Boyle
Ranking Member Neal
Ranking Member Scott